



CLINT ZWEIFEL
MISSOURI STATE TREASURER

2010 Report of the Missouri Linked Deposits Program
Review Committee



Executive Summary

There were 1,452 Missouri Linked Deposit Program loans placed as of September 30, 2010, totaling \$247,746,040. This represents an **increase** of over \$49 million from the amount of Missouri Linked Deposit Program loans from the same period a year earlier.

The increase in program loans can be attributed to three main factors.

First and foremost, 2010 was the first full year in which the statutory changes of *Invest in Missouri* were realized. State Treasurer Clint Zweifel's 2009 legislative initiative, which went into effect August 28, 2009, removed many of the barriers to qualifying for the program:

- The job enhancement program has expanded to allow the full cost of the capital outlay associated with expansion or redesign;
- The small business program has expanded to include businesses with less than 100 employees, increasing that threshold from less than 25;
- The removal of the 60% equity limit from the farm operations program has opened the Missouri Linked Deposit Program to any established farm in the state;
- New alternative energy funding programs allowing businesses and residential property owners to employ the program's benefits; and
- Local governments in the state can now realize the program's benefits.

Executive Summary (con't)

A second factor in the growth of the program has been the hiring of a full-time relationship manager to market the program to lenders and borrowers. Over 100 lenders have been contacted regarding the legislative and administrative changes in the Missouri Linked Deposit Program. Nearly 100 meetings and presentations have been given to increase awareness among borrowing groups.

A third reason is that Treasurer Zweifel has made several administrative improvements that have made the Missouri Linked Deposit Program easier and more efficient for lenders:

- Completed applications that are submitted are approved in no more than 10 business days;
- An online application system has been developed to eliminate applications being submitted via fax. The online application system also prevents incomplete applications from being submitted;
- A new and more informative website has been launched; and
- A multi-year fixed interest rate may be granted by Treasurer Zweifel's office.

Executive Summary (con't)

As of September 30, 2010, loans in the agriculture deposit category continue to lead all other programs with \$127,454,724. The small business and job enhancement deposit categories are close behind with \$117,187,138. The other deposit categories are shown in attached slides (see future slides for full breakdown).

Regionally, the Missouri Linked Deposit Program continues to see its strongest interest in Central, Southeast, and Northeast Missouri. The Kansas City and St. Louis metropolitan areas have realized a significant jump in participation as well (see future slides for full breakdown).

A total of 92 financial institutions are actively using the Missouri Linked Deposit Program. The top five users of the Program are Farm Credit Services, Southern Bank, Legends Bank, Bank of Kirksville, and Commerce Bank. The top five users account for nearly 42% of the Missouri Linked Deposit Program's total loan volume (see future slides for a full breakdown).

Minority and female participation in the Missouri Linked Deposit Program stands at 12% of the program's overall total loan amount.

Issues Related to the Missouri Linked Deposit Program in 2009 – 2010

Economic Issues

- Lending institutions still adhered to much tighter lending standards in 2010. Although anecdotal evidence suggests some easing of those standards in the fourth quarter, much of the year was spent lending money to only prime customers.
- Many business owners and farmers were also not actively looking for expanded credit. Demand for new loans remains at very low levels.
- Lending institutions continue to be deposit rich. Many have indicated they do not want to participate at this time in the Missouri Linked Deposit Program because of their own liquidity.
- Federal fund rates continue to be extremely low.
- Many lenders are still struggling financially across the state. Lenders that are having liquidity or asset issues are not allowed to participate in the Missouri Linked Deposit Program.

Issues Related to the Missouri Linked Deposit Program in 2009 – 2010 (con't)

Programmatic Issues

- The changes ushered in by *INVEST IN MISSOURI* opened the doors to many new applicants to benefit from the Missouri Linked Deposit Program. Because of this statutory change, 118 applicants totaling over \$39 million have been approved to receive benefits.
- The elimination of the state regulation regarding the different rate setting process for loan requests under \$100,000 made it easier for lenders to keep track of their net interest margins. This made lenders more comfortable in submitting small loan requests.
- *INVEST IN MISSOURI* changes now let lenders realize market-based spreads with the elimination of the 1% floor on deposits.
- The announcement by Commerce Bank of targeting \$100 million in loans statewide to submit to the program has increased awareness not only by borrowers, but other lenders as well.
- Commerce has targeted submitting \$40 million in loans in St. Louis; \$40 million in loans in Kansas City; and \$20 million in the rest of the state.

Other Issues

- Awareness of the Missouri Linked Deposit Program has picked up in the St. Louis and Kansas City metro areas. Six new lending institutions in the St. Louis area have submitted applications for Missouri Linked Deposit Program benefits.
- 132 additional lender branches now participate in the Missouri Linked Deposit Program, bringing the total number of lender branches to 307.
- Targeted marketing in business publications has increased borrower awareness in each of the major metropolitan areas.
- The low rates offered by lenders because of the economy does not make the 30% interest rate reduction benefit of the Missouri Linked Deposit Program as dramatic as when rates are higher.

Administrative Changes Enacted by Treasurer Zweifel

The implementation of an online application system has reduced paperwork and eliminated bureaucracy between Treasurer Zweifel's office and lenders. Incomplete applications can delay approvals, so the online application system is designed so that incomplete applications cannot be submitted.

A new, more informative website has been launched. In addition to program information, there are separate pages designed for lenders and borrowers.

A thorough review of the due diligence process occurred and resulted in eliminating some steps that were not providing relevant information on the borrower. This review resulted in faster application approval times.

The hiring of a full-time relationship manager has led to increased awareness of lenders and borrowers.

- Eighty lenders that had never participated or had very spotty participation were identified as targeted participants for the Missouri Linked Deposit Program. All 80 have been visited, resulting in nine lenders submitting applications in 2010.
- Chambers of Commerce, the National Federation of Independent Businesses, Agriculture commodity groups, business expos and summits have each been contacted or had presentations made to increase borrower awareness.

Administrative Changes Enacted by Treasurer Zweifel (con't)

A Preferred Partners program was launched to provide special awareness and recognition to those lending institutions that participate heavily in the program. To be listed as a Preferred Partner, the lender was required to have at least 1% of its asset size in active Missouri Linked Deposit Program loans or have a substantial number of smaller loans in place. The Preferred Partners so far are:

- Adams Dairy Bank
- Bank of Kirksville
- Bank of St. Elizabeth
- Bank of Monticello
- Belgrade State Bank
- Citizens Bank of Edina
- Citizens – Farmers Bank of Cole Camp
- Commerce Bank
- FCS Financial
- F&C Bank
- First State Bank of St. Charles
- Independent Farmers Bank
- Legends Bank
- Mid America Bank
- Paris National Bank
- Progressive FCS
- Regional Missouri Bank
- Southern Bank

The advent of a multi-year fixed rate has made longer term financing through the program more attractive. Lenders and borrowers have found this a very attractive tool, especially in fixed asset or long term financing projects.

Summary of Minority and Female Applicants in the Missouri Linked Deposit Program

The Missouri Linked Deposit Program has 18 loans placed with minority applicants for a total of \$4,053,378. Of that total, \$3,620,378 was placed in the small business deposit category equating to 89% of the total for minority applicants. The remaining \$433,000 was placed in the Beginning Farmer loan program.

The Missouri Linked Deposit Program has 138 loans placed with female applicants for a total of \$26,374,649. Of that total, \$15,853,455, or 60% of the total, was placed in the small business deposit category. The remaining amounts are broken down as follows:

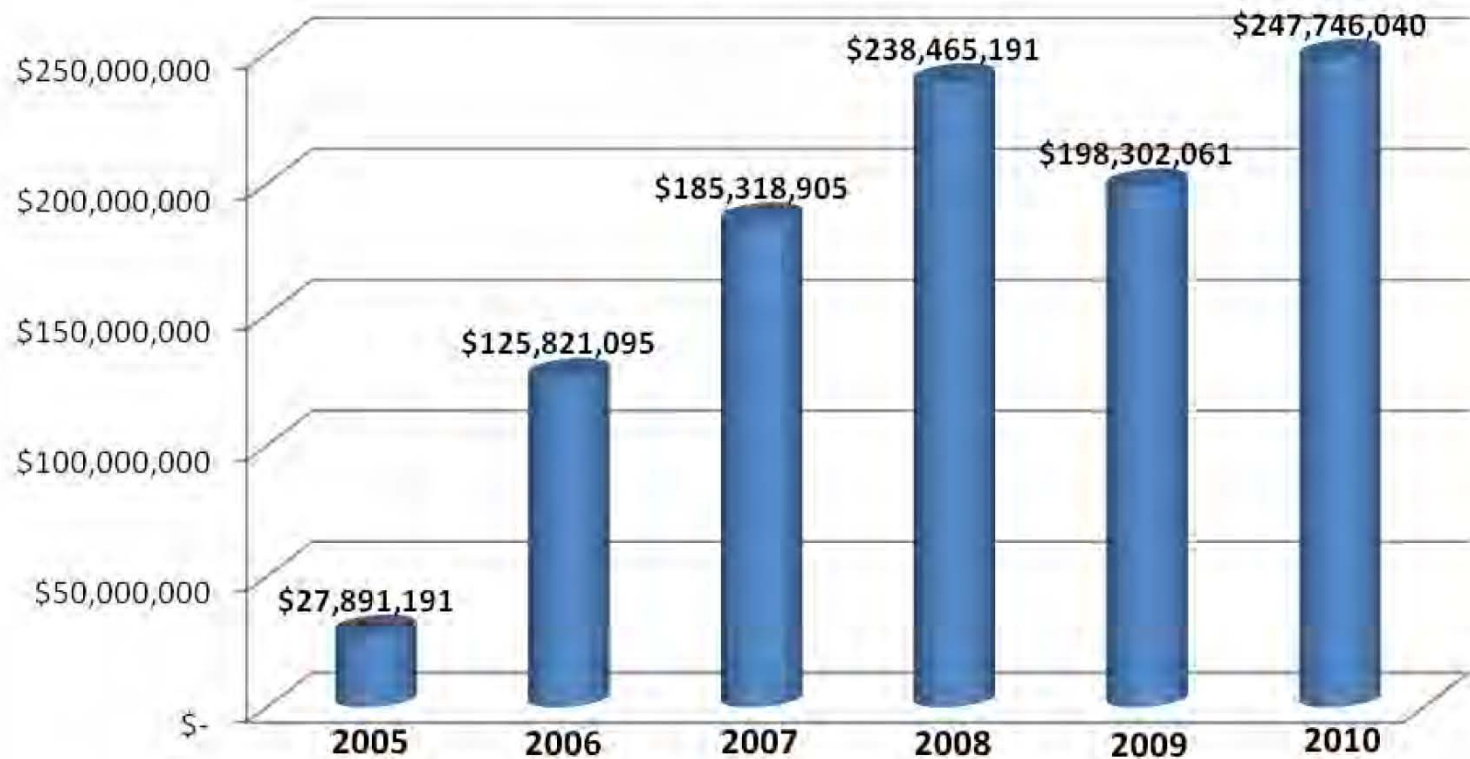
- \$2,474,762 in the Beginning Farmer program;
- \$7,151,092 in the Farm Operations program;
- \$439,340 in the Guaranteed Agri-Business program;
- \$56,000 in the Livestock program; and
- \$400,000 in the Job Creation program.

Total Missouri Linked Deposit Program loans to minority applicants -- \$4,053,378

Total Missouri Linked Deposit Program loans to female applicants -- \$26,374,649

Total Missouri Linked Deposit Program loans to minority/female-- \$30,428,027 – 12% of overall total

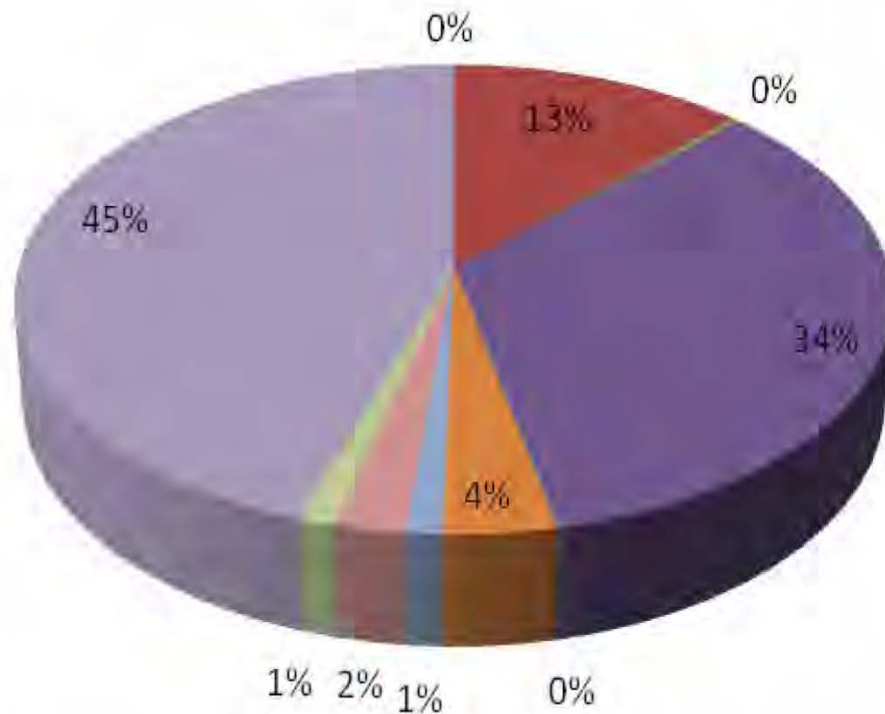
Summary of Missouri Linked Deposit Program Loans by Year



Summary of Missouri Linked Deposit Program Loans by Category

Program	Number of Apps	As of 9/30/10	As of 9/30/09	Change
Beginning Farmer	135	30,909,766	31,477,488	567,722
Facility Borrower	2	646,000	4,514,000	3,868,000
Farm Operations	400	83,905,736	74,618,155	9,287,581
Guaranteed Agri-Business	411	9,078,992	11,426,641	2,347,649
Livestock	27	2,914,230	4,127,575	1,213,345
Housing	12	2,937,229	2,150,798	786,431
Job Creation	4	5,667,500	5,150,000	517,500
Small Business	458	111,519,638	64,837,404	46,682,234
Alternative Energy	1	11,000	N/A	--
Government Entity	2	155,949	N/A	--

Loans by Category

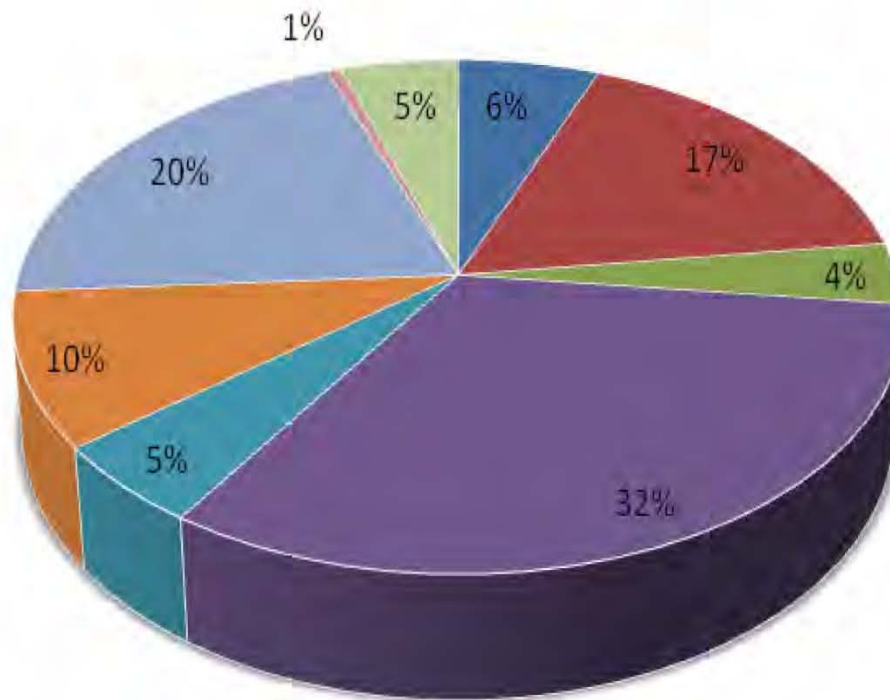


- Alternative Energy - 0%
- Beginning Farmer - 13%
- Facility Borrower - 0%
- Farm Operations - 34%
- Government Entity - 0%
- Guaranteed Agri-Business - 4%
- Housing - 1%
- Job Creation- 2%
- Livestock - 1%
- Small Business - 45%

Summary of Missouri Linked Deposit Program Loans by Region

Region	Agriculture	Housing	Job Creation	Small Business	Alternative Energy	Government Entity	Total
Northwest	12,037,675	0	0	2,734,930	0	0	14,772,605
Northeast	27,997,774	0	0	13,937,842	0	0	41,935,616
West Central	6,196,256	0	0	3,400,500	0	0	9,596,756
Central	35,171,117	0	4,250,000	40,650,510	11,000	155,949	80,238,576
East Central	2,102,100	0	0	10,576,357	0	0	12,678,457
Southwest	16,429,369	0	0	7,511,873	0	0	23,941,242
Southeast	27,401,433	2,937,229	1,417,500	18,916,383	0	0	50,672,545
Kansas City	119,000	0	0	1,325,697	0	0	1,444,697
St. Louis	0	0	0	12,465,546	0	0	12,465,546
Total	127,454,724	2,937,229	5,667,500	111,519,638	11,000	155,949	247,746,040

Totals by Region



- Northwest - 6%
- Northeast - 17%
- West Central - 4%
- Central - 32%
- East Central - 5%
- Southwest - 10%
- Southeast - 20%
- Kansas City - 1%
- St. Louis - 5%

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Missouri Linked Deposit Program
Loan Amounts by Lender
Handout**



Missouri Linked Deposit Program Loan Amounts by Lender

Lender	Amount
FCS Financial	\$39,158,000.00
Southern Bank and Trust	\$18,798,290.00
Legends Bank	\$16,464,386.00
Bank of Kirksville	\$15,758,818.00
Commerce Bank N A	\$13,042,180.00
Progressive Farm Credit Services	\$12,512,000.00
Mid America Bank	\$11,858,412.00
Maries County Bank	\$9,167,772.00
First State Bank Of St. Charles	\$7,821,000.00
Regions Bank	\$6,957,936.00
Bank of St Elizabeth	\$6,826,603.00
Central Bank	\$5,992,421.00
Regional Missouri Bank	\$5,035,079.00
Hawthorn Bank	\$5,016,000.00
Empire Bank	\$4,648,917.00
Bank Of Monticello	\$4,375,345.00
Arvest Bank	\$3,500,000.00
Independent Farmers Bank	\$3,466,895.00
Wood And Huston Bank	\$3,400,000.00
F & M Bank and Trust Co.	\$3,253,000.00
Cabool State Bank	\$2,781,654.00
Belgrade State Bank	\$2,678,128.00
Tri County Trust Company	\$2,591,555.00
Pulaski Bank	\$2,553,223.00
O'Bannon Banking Company	\$2,285,708.00
Montgomery Bank	\$2,060,754.00
Glasgow Savings Bank	\$1,876,165.00
Bank of Missouri	\$1,749,832.00

Lender	Amount
Bank of Advance	\$1,651,704.00
Midwest Regional Bank	\$1,570,000.00
Bank Of Bloomsdale	\$1,435,000.00
Adams Dairy Bank	\$1,325,697.00
Citizens-Farmers Bank of Cole Camp	\$1,213,000.00
Citizens Bank Of Edina	\$1,056,415.00
F & C Bank	\$1,023,000.00
First State Bank Of Purdy	\$976,051.00
Citizens Bank	\$962,500.00
First National Bank	\$957,877.00
Legacy Bank and Trust	\$951,972.00
First State Community Bank	\$921,000.00
HNB National Bank	\$896,511.00
Cass Commercial Bank	\$835,000.00
Alton Bank	\$825,000.00
Nodaway Valley Bank	\$795,585.00
United State Bank	\$770,538.00
Alliance Bank	\$752,000.00
Community First Bank	\$731,000.00
St Clair County State Bank	\$708,266.00
Putnam County State Bank	\$697,230.00
Home Exchange Bank	\$665,000.00
Peoples Bank	\$632,792.00
Mainstreet Bank	\$630,000.00
UMB Bank, Kansas City	\$609,808.00
Heritage Community Bank	\$590,733.00
Security Bank of the Ozarks	\$580,146.00
First Missouri National Bank	\$573,500.00

Missouri Linked Deposit Program Loan Amounts by Lender

Lender	Amount
Paris National Bank	\$443,262.00
Metropolitan National Bank	\$443,000.00
First Community Bank	\$381,206.00
Focus Bank	\$344,143.00
Great Southern Bank, FSB	\$315,000.00
Lindell Bank & Trust Company	\$300,000.00
Heritage Bank of the Ozarks	\$267,000.00
Investors National Bank	\$267,000.00
Jonesburg State Bank	\$262,000.00
Bank of Bolivar	\$250,000.00
First Midwest Bank Of Poplar Bluff	\$247,000.00
Town & Country Bank	\$245,000.00
Citz Nat'l Bank Of Greater St Louis	\$235,000.00
Central Bank Of Lake Of The Ozarks	\$222,000.00
Old Missouri Bank	\$216,000.00
Garden City Bank	\$211,000.00
First Missouri State Bank of Cape County	\$210,000.00
Peoples Community State Bank	\$200,000.00
Bank Of Urbana	\$182,029.00
Bank Of Grandin	\$175,000.00
County Bank	\$171,000.00
City Bank And Trust Company	\$140,000.00
Carroll County Trust Company	\$137,550.00
First National Bank Of Audrain Co.	\$130,000.00
Phelps County Bank	\$129,444.00
Wells Bank Of Platte City	\$126,500.00
Community Bank Of Russellville	\$90,000.00
Bank Of New Cambria	\$89,000.00

Lender	Amount
Mid Missouri Bank	\$88,500.00
Southwest Missouri Bank	\$65,000.00
Farmers Bank Of Northern Missouri	\$55,000.00
Citizens Bank Of Eldon	\$39,568.00
Bank Star One	\$31,087.00
Bank Of Mansfield	\$30,000.00
American Trust Bank	\$25,000.00
Farmers State Bank	\$15,353.00
Total	\$247,746,040.00